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<p>Tiivistelmä-Referat-Abstract</p> <p>The study consists of four essays that analyse the implications of labour taxation and unemployment insurance (UI) in the models of imperfectly competitive labour markets.</p> <p>The first essay studies the effects of labour taxation on wages, unemployment and efficiency in a search equilibrium model with endogenous job destruction. It is shown that the adverse employment effect of labour taxes is mainly due to prolonged unemployment spells and less so due to increased job destruction. If wage setting is based on bargaining, a pure increase in the tax progression reduces unemployment, improves the relative position of low-income workers and facilitates the emergence of low-productivity jobs.</p> <p>The second essay considers a set up where the economic agents perceive the link between taxes paid and the benefits received due to the centralised wage setting institutions. It is shown that centralisation promotes wage moderation, makes wages and employment less sensitive to changes in the wage taxation and reduces hours worked. With individual supply of working hours, a wage tax can even improve employment if the marginal utility of the public expenditure is sufficiently high. If a profit tax is used to finance the public provision, a higher tax reduces wages and improves employment.</p> <p>The third essay introduces a model where tax-alike payments are used to finance UI funds run by the industry level unions. Alternative ways to organize government subsidies are compared in a right-to-manage framework. It is shown that equilibrium unemployment is decreasing in the share of UI financed by the employed union members. A reduction in the proportional subsidies matched by an increase in the lump sum grant is shown to bring about wage moderation and improve employment. If labour market parties can influence the level of benefits, a subsidy scheme with a fixed assistance per unemployed is preferable to one covering a fixed share of the total UI costs.</p> <p>The fourth essay analyses the effects of UI in a job search model with endogenous search effort. The model is simulated numerically with the parameters fitted to the stylised facts of the Finnish labour market. It is shown that UI with limited potential duration promotes search effort among the long-term unemployed that have exhausted a considerable amount of the current benefit spell. The positive effect starts to dominate the earlier, the steeper is the decline in the replacement ratio and the more insecure are the job contracts. A reform that combines a declining replacement ratio with an increased initial level of benefits is shown to increase search effort throughout the benefit period.</p>			
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